

## 2011 – 12 Investment Office Roadmap September 2011 Report

### 1. Investment Performance – AIM – Réal Desrochers

Tactics	Planned Completion Date	Status	Accomplishments	Upcoming Deliverables
<i>Rebalance and restructure portfolio</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Completed two secondary transactions</li> </ul>	
<i>Evaluate formal co-investment strategy</i>	Jun 2012	●		<ul style="list-style-type: none"> <li>Reviewing formal co-investment strategy</li> </ul>
<i>Fully integrate IESG questions into the diligence process</i>	Jun 2012	✓	<ul style="list-style-type: none"> <li>Completed Q1, 2011-12</li> </ul>	
<i>Encourage all managers to adopt ILPA-sponsored Standardized Reporting</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>For all new commitments, Staff will encourage GPs to review and adhere to the ILPA-sponsored Standardized Reporting</li> </ul>	<ul style="list-style-type: none"> <li>Continue to work with current partners/managers to adopt the ILPA-sponsored Standardized Reporting</li> </ul>
<i>Strengthen risk management and attribution analysis capability</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Presented portfolio roadmap with strategy targets and ranges to the IC</li> <li>Partnered with Risk Management Team to help implement improved proxy of the AIM portfolio in BarraOne</li> </ul>	

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#### 1. Investment Performance – AIPD – Geraldine Jimenez

Tactics	Planned Completion Date	Status	Accomplishments	Upcoming Deliverables
<i>Fund review of SIP Investment line-up and SIP strategy</i>	Sep 2011	●	<ul style="list-style-type: none"> <li>Partnering with Wilshire on review of SIP Investment line-up</li> </ul>	<ul style="list-style-type: none"> <li>SIP investment strategy and fund line-up</li> </ul>
<i>Implement myCalPERS for Supplemental Income Plans (SIP) and transition SIP program management to new CalPERS organization structure</i>	Dec 2011	●	<ul style="list-style-type: none"> <li>Training and procedures for implementation of myCalPERS on target</li> </ul>	
<i>NEW OBJECTIVE: Transition to new asset allocation for the Affiliate Funds</i>	Mar 2012	●	<ul style="list-style-type: none"> <li>Approved new affiliate fund asset allocations</li> <li>Affiliate Investment Fund Policies – LRS, JRS II, CERBT, and Long-Term Care – approved in August</li> <li>Hired project manager to develop project plan for Phase 1 and Phase 2 of the project</li> </ul>	<ul style="list-style-type: none"> <li>Begin implementation of play by building out composites and timelines for Phase 1</li> </ul>
<i>NEW OBJECTIVE: Transition certain Affiliate Fund assets to external management</i>	Mar 2012		<ul style="list-style-type: none"> <li>Presented plan to Executive Staff in August 2011 and to the IC in September 2011</li> </ul>	<ul style="list-style-type: none"> <li>Drafting an RFP for issuance in Fall</li> </ul>

#### 1. Investment Performance – ARS (formerly RMARS) – Craig Dandurand

Tactics	Planned Completion Date	Status	Accomplishments	Upcoming Deliverables
<i>Change reporting relationship of ARS from Global Equity to CIO</i>	Dec 2011	●	<ul style="list-style-type: none"> <li>Re-organized unit and reporting structure</li> </ul>	<ul style="list-style-type: none"> <li>Physical relocation of unit</li> <li>Continue infrastructure development – e.g., revise delegations, program policy, and allocation framework</li> </ul>
<i>Develop plan for ARS / opportunistic investments</i>	Dec 2011	●	<ul style="list-style-type: none"> <li>Presented an information item regarding the ARS Program to the IC in August</li> </ul>	<ul style="list-style-type: none"> <li>Refine and improve relationship quality with external managers and other service providers</li> </ul>

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#### 1. Investment Performance – Diversity – Tim Legesse

Tactics	Planned Completion Date	Status	Accomplishments	Upcoming Deliverables
<i>Collect and include investment performance data in the annual diversity report</i>	Dec 2011	●	<ul style="list-style-type: none"> <li>Gathered preliminary PERF data for FY 2010-11</li> </ul>	<ul style="list-style-type: none"> <li>Share the data with program staff for their review and assist in reconciliation with CAFR</li> <li>Create presentation tables for review by Investment Office executive leadership team</li> <li>Recommend data integration to enterprise wide project team for the Annual Diversity Report</li> </ul>
<i>Provide information and recommendations to the Investment Strategy Group on strategic priorities for diversity and emerging manager outreach initiatives</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Researched and briefed executive leadership team about policy and statutes related to Disable Veteran Business Enterprises (DVBE)</li> <li>Participated in internal equity brokerage operations DVBE utilization discussions</li> <li>Identified outreach needs tied to Diversity &amp; Inclusion initiatives to support portfolio management program areas (equity brokerage firms, 3D website launch, new emerging manager programs), and demographic cohorts (DVBE community)</li> <li>Analyzed event agendas for three upcoming industry non-profit partner conferences (AAAIM, NAA, and NAIC)</li> <li>Began mapping out budget categories related to supporting D&amp;I outreach</li> </ul>	<ul style="list-style-type: none"> <li>Convening meetings with Legal, Operations Support Services Division the Investment Office representatives to learn more about DVBE policy and statutes related to the Investment Office contracting processes</li> <li>Present recommendations at upcoming CIO Huddle for staff attendance at the three upcoming diversity non-profit industry partners' annual conferences</li> <li>Convene meetings with Real Estate Unit and AIM Program emerging manager program staff to educate them on value proposition and how to use our enterprise web-based communication services unit to host webinar/webcast to promote related new initiatives</li> <li>Continue development of a D&amp;I budget</li> </ul>

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Tactics	Planned Completion Date	Status	Accomplishments	Upcoming Deliverables
Complete an evaluation of current diversity and emerging manager program information available on the CalPERS external website	Jun 2012	✕	<ul style="list-style-type: none"> <li>Not Started</li> </ul>	
Propose a total fund strategic approach for emerging manager investment programs and initiatives to the Investment Strategy Group	Jun 2012	▼	<ul style="list-style-type: none"> <li>Scheduled an informal lunch meeting between portfolio managers and investment officers across asset classes assigned with oversight responsibility for emerging manager programs to exchange ideas for design and development features</li> </ul>	

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#### 1. Investment Performance – Fixed Income – Curtis Ishii

Tactics	Planned Completion Date	Status	Accomplishments	Upcoming Deliverables
<i>Begin funding and managing the \$7 billion US Treasury portfolio in the Liquidity Portfolio</i>	Sep 2011	✓	<ul style="list-style-type: none"> <li>Completed Q1, 2011-12</li> </ul>	
<i>Implement the \$2 billion asset allocation increase to the ILAC program</i>	Sep 2011	✓	<ul style="list-style-type: none"> <li>Completed Q1, 2011-12</li> </ul>	
<i>Partially in-source Short-Term Investment Fund (STIF)</i>	Dec 2011	●	<ul style="list-style-type: none"> <li>Executed a Master Repurchase Agreement (MRA) and Custodial Undertaking (CU) with counterparty. This will be a good starting point in future counterparty MRA and CU negotiations. A couple of counterparties are in the negotiation phase</li> <li>Set-up systems and processes to execute tri-party repo trades</li> </ul>	<ul style="list-style-type: none"> <li>Start executing Tri-party Repo trades</li> <li>Target to execute MRAs and CUs with 2 or more Rep counterparties</li> <li>Should start moving STIF to internal management (subject to market conditions)</li> </ul>
<i>Evaluate a plan for internal management of international assets</i>	Dec 2011	●		<ul style="list-style-type: none"> <li>Present plan/recommendations to ISG</li> </ul>
<i>Continue to explore opportunities and deployment of funds to portable alpha strategies</i>	Dec 2011	✕	<ul style="list-style-type: none"> <li>Not Started – resources allocated to other objectives</li> </ul>	
<i>Develop hardcopy guidelines for all fixed income portfolios that are consistent with existing policies</i>	Dec 2011	●	<ul style="list-style-type: none"> <li>Drafted 95% of the portfolio guidelines and currently reviewing</li> </ul>	
<i>Continue working with the industry to create dialogue with the SEC to make changes in bondholders rights</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Prepared comments for SEC's September meeting</li> </ul>	

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### 1. Investment Performance – Global Equity – Eric Baggesen

Tactics	Planned Completion Date	Status	Accomplishments	Upcoming Deliverables
<i>Incorporate CalPERS “values” into the skill search and validation process</i>	Sep 2011	▼	<ul style="list-style-type: none"> <li>• “Created Values” questionnaire</li> <li>• Initiated functionalization</li> <li>• Identified vendor</li> </ul>	<ul style="list-style-type: none"> <li>• Assign staff to own “Values” process</li> <li>• Seek approval on “Values” questionnaire</li> <li>• Gather data from current and potential external investment managers</li> </ul>
<i>Functionalize Global Equity organization</i>	Dec 2011	▼	<ul style="list-style-type: none"> <li>• Communicated functionalization plan</li> <li>• Separated ARS from Global Equity</li> <li>• Assigned PM and IO staff to specific functional areas</li> </ul>	<ul style="list-style-type: none"> <li>• Map current task to target operating model</li> <li>• ID gaps between internal and external monitoring</li> <li>• Assign tasks to functional area</li> <li>• New leadership (HR)</li> </ul>
<i>Lead the Investment Office-wide IESG total fund implementation</i>	Dec 2011	●	<ul style="list-style-type: none"> <li>• Formed IESG cross-asset team</li> <li>• Peer review and benchmarking report</li> <li>• Identified best practices and challenges of ESG integration</li> <li>• Hosted Global Peer Group Exchange</li> <li>• Completed CalPERS Policy Inventory</li> <li>• Asset Class Modules</li> <li>• SIO recommendations and ISG review</li> </ul>	<ul style="list-style-type: none"> <li>• Board Workshop</li> <li>• Finalize recommendations</li> <li>• Develop implementation plan</li> <li>• Investment Committee action item to propose implementation plan</li> <li>• Develop Sustainable Investing Policy for the Total Fund</li> <li>• CalPERS Sustainable Investment Report for 2012</li> </ul>

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Tactics	Planned Completion Date	Status	Accomplishments	Upcoming Deliverables
<i>Consolidate emerging manager programs into fund structure and migrate Manager Development Program (MDP) managers to fund-of-funds (FoF) pool upon completion of alternate solicitation contracting process</i>	Dec 2011	▼	<ul style="list-style-type: none"> <li>Implemented capital allocation process</li> <li>Cleaned data input process</li> </ul>	<ul style="list-style-type: none"> <li>Clarify role of emerging managers, MDP, FoF</li> <li>Define strategies and constraints to assign</li> <li>Align investment mandates with capital allocation</li> <li>Board information item</li> <li>Set up developmental pool</li> </ul>
<i>Fully implement Global Equity capital allocation model</i>	Mar 2012	●	<ul style="list-style-type: none"> <li>Created Global Equity Capital Allocation Committee (GECAC)</li> <li>Improved data input process</li> <li>Deployed major version updates to capture additional attributes</li> </ul>	<ul style="list-style-type: none"> <li>Develop reporting package to support communication</li> <li>Integrate Strategy Search</li> <li>Test and release Forecasting Module</li> </ul>
<i>Implement Public Markets Portfolio Management (PM<sup>2</sup>)</i>	Mar 2012	■	<ul style="list-style-type: none"> <li>Selected vendor will not meet required standards</li> <li>Current definition of project is under analysis</li> <li>Impacts all other projects in yellow</li> </ul>	<ul style="list-style-type: none"> <li>Redefine path forward</li> </ul>
<i>Continue contributions to market reform through broad engagement on regulatory activities per the detailed Corporate Governance plan</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Identified priorities</li> <li>Engaged with Securities and Exchange Commission (SEC), Commodities Futures Trading Commission (CFTC)</li> <li>Aligned with other public pension plans on derivative regulations</li> <li>Proposed alternative mechanism to achieve directions</li> </ul>	<ul style="list-style-type: none"> <li>Critical Juncture</li> <li>Engage Delta Strategies to lobby our position with the CFTC</li> </ul>
<i>Implement the Global Equity risk budget into the capital allocation process</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Identified risk structures</li> <li>Guidance from ISG on level of risk</li> </ul>	<ul style="list-style-type: none"> <li>Build into capital allocation decision-making process</li> <li>Integrate with Barra 1</li> </ul>

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### 1. Investment Performance – Infrastructure & Forestland – Theodore Eliopoulos & Randall Mullan

Tactics	Planned Completion Date	Status	Accomplishments	Upcoming Deliverables
<i>Modify Infrastructure Program Policy and Delegations to align with Infrastructure Strategic Plan</i>	Dec 2011	●	<ul style="list-style-type: none"> <li>Presented Infrastructure Program Policy and Delegations at August IC</li> </ul>	
<i>Establish FY 2011-12 Functional Roles &amp; Work Plans for the new functional units (Transactions; Asset Management; and Operations (Portfolio, Analytics, Research, and Operations (PARO)))</i>	Dec 2011	●	<ul style="list-style-type: none"> <li>Assessed organization structure</li> <li>Completed a unit re-organization</li> </ul>	<ul style="list-style-type: none"> <li>Completion of functional roles and work plans for the new functional units</li> </ul>
<i>Execute first year of investment under, and in accordance with, the three-year Infrastructure Strategic Plan</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Started to review and negotiate opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Completion of new investments</li> </ul>
<i>Execute a strategy for debt reduction within the Forestland portfolio</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Debt reduction postponed due to market conditions; agreed with partners on interim strategy</li> </ul>	<ul style="list-style-type: none"> <li>Execute interim strategy</li> </ul>
<i>Engage in IESG review for the Infrastructure and Forestland Programs</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Presented plan at the IESG workshop in August</li> </ul>	<ul style="list-style-type: none"> <li>Determine suitable and appropriate reporting standards</li> <li>Established alignment of interest principles</li> </ul>
<i>Complete Quarterly Performance Reviews for the Programs</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Produced quarterly report</li> </ul>	<ul style="list-style-type: none"> <li>Will report next quarter</li> <li>Integrate reporting style with PARO</li> </ul>
<i>Integrate the Infrastructure &amp; Forestland Group within PARO Unit to achieve a common platform addressing compliance, portfolio analytics and operational requirements</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Completed resource plan</li> <li>Transfer and transitioning personnel and functions in progress</li> </ul>	<ul style="list-style-type: none"> <li>Production of jointly-prepared quarterly performance and compliance reports</li> </ul>
<i>Undertake an 'industry best practice' assessment to identify required analytical and informational tools and systems</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Reviewed consultant's draft report</li> </ul>	<ul style="list-style-type: none"> <li>Finalize consultant's report</li> <li>Determine needed follow-up actions</li> </ul>
<i>Refine and undertake early implementation of the Unit's new Procedures Manual</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Approved manual</li> </ul>	<ul style="list-style-type: none"> <li>Implement manual – ongoing</li> <li>Schedule section review sessions</li> <li>Record suggested changes and enhancements</li> </ul>

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#### 1. Investment Performance – Real Estate – Theodore Eliopoulos

Tactics	Planned Completion Date	Status	Accomplishments	Upcoming Deliverables
<i>Reorganize REU along functional lines: New Investments, Portfolio Management &amp; PARO</i>	Sep 2011	✓	<ul style="list-style-type: none"> <li>Re-organized Real Estate as described</li> </ul>	
<i>Work across the Investment Office to develop total risk parameters consistent with BarraOne implementation</i>	Dec 2011	●	<ul style="list-style-type: none"> <li>Worked with Barra to develop initial risk proxies for the current real estate portfolio</li> </ul>	
<i>Revise AREIS to reflect Strategic Plan</i>	Dec 2011	●	<ul style="list-style-type: none"> <li>Worked with Performance Monitoring Unit to develop a project plan to modify AREIS by year-end</li> </ul>	
<i>Develop initial compliance process for procedures manual</i>	Dec 2011	●	<ul style="list-style-type: none"> <li>In progress</li> </ul>	
<i>Refine Real Estate Critical Path Reports to include variance and trend analysis</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Prepared initial trend analysis and delivered for June 30, 2011 data</li> </ul>	
<i>Implement 2011 Strategic Plans</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Adopted policy, delegated authority and benchmarks consistent with the 2011 Strategic Plan</li> </ul>	
<i>Deploy \$2B - \$4B through new commitments and deleveraging consistent with 2011 Strategic Plan</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Committed \$2 billion of new funding consistent with the 2011 Strategic Plan</li> </ul>	
<i>Implement Strategic Core/Base Program</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Started term sheet negotiations</li> </ul>	
<i>Implement Monitoring Program</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>In progress</li> </ul>	

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<i>Implement Domestic and International Tactical Programs</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>In progress</li> </ul>	
<i>Evaluate and propose new environmental sustainability initiatives</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>IESG Board Workshop in August</li> </ul>	
<i>Initiate the development of plan (s) for Urban, emerging manager and California investment programs within our domestic tactical program</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Agenda item to IC presented</li> </ul>	
<i>Evaluate Responsible Contractor Program (RCP) Policy</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Neutrality Trial Program is being presented to the IC in August</li> </ul>	<ul style="list-style-type: none"> <li>Annual RCP review scheduled for October</li> </ul>
<i>Complete Sector Plans</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>In progress</li> </ul>	

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#### 2. Capital Allocation – Farouki Majeed

Tactics	Planned Completion Date	Status	Accomplishments	Upcoming Deliverables
<i>Obtain Investment Committee approval for new asset allocations for the Long-Term Care (LTC) fund and for three new California Employers' Retiree Benefit Trust (CERBT) funds</i>	Sep 2011	✓	<ul style="list-style-type: none"> <li>Presented new strategic asset allocation for the LTC fund in May 2011</li> <li>Presented new strategic asset allocation for the CERBT funds in March 2011</li> </ul>	<ul style="list-style-type: none"> <li>Implement new fund allocations for LTC and CERBT</li> </ul>
<i>Obtain Investment Committee approval for new asset allocations for the Judges' Retirement System (JRS) fund and the Legislatures' Retirement System (LRS) fund</i>	Sep 2011	✓	<ul style="list-style-type: none"> <li>Presented new strategic asset allocations for JRS II and LRS in April 2011</li> </ul>	<ul style="list-style-type: none"> <li>Implement new fund allocations for the JRS II and LRS</li> </ul>
<i>Define and present investment beliefs to the Board</i>	Dec 2011	✓	<ul style="list-style-type: none"> <li>Defined core beliefs at ISG</li> <li>Presented beliefs to Board in July</li> <li>Completed, Q1, 2011-12</li> </ul>	
<i>Complete factor-based investment research project; develop implementation plan based on research results</i>	Mar 2012	●	<ul style="list-style-type: none"> <li>Developed and presented methodology at ISG</li> </ul>	<ul style="list-style-type: none"> <li>Economic market regime model developed by former AA Portfolio Manager; research constraints expected until position is filled</li> </ul>
<i>Standardize allocation models for the private asset classes annually</i>	Jun 2012	✓	<ul style="list-style-type: none"> <li>Discussed recent findings on the relation between annual capital commitment and allocations</li> <li>Worked with Staff to extend the analysis from normative to positive by including valuations and capital market conditions</li> <li>Presented findings to ISG</li> <li>Completed, Q1 2011-12</li> </ul>	<ul style="list-style-type: none"> <li>Framework/model developed; Apply framework to AIM/RE</li> </ul>
<i>Develop process to select 2-multi-asset class (MAC) partners to manage multi-asset portfolios</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Developed Alternate Solicitation Process with Contracts Unit</li> </ul>	<ul style="list-style-type: none"> <li>Bid letter under development for legal review. Open solicitation targeted for early September 2011</li> </ul>

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### 3. Risk Management – Janine Guillot & Farouki Majeed

Tactics	Planned Completion Date	Status	Accomplishments	Upcoming Deliverables
<b>INVESTMENT RISK</b>				
<i>Implement new risk based asset allocation framework reports for ISG and the Board</i>	Sep 2011	✓	<ul style="list-style-type: none"> <li>Amended policies and reviewed benchmarks for new asset allocation framework</li> <li>Presented risk based asset allocation tool for analyzing asset allocation tracking error at program level to ISG</li> </ul>	
<i>Define and implement processes for using information from the new risk system to enhance decision making at the fund level</i>	Mar 2012	●	<ul style="list-style-type: none"> <li>Presented monthly tracking error package to ISG for total plan, asset allocation, Global Equity and Global Fixed Income</li> </ul>	<ul style="list-style-type: none"> <li>Present final product using new risk system data to the ISG in November 2011</li> </ul>
<i>Implement new investment risk management system (BarraOne)</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Completed analysis and design phase including modeling of private asset classes</li> <li>Completed System Build</li> </ul>	<ul style="list-style-type: none"> <li>Complete User Testing</li> <li>Launch BarraOne</li> </ul>
<i>Implement new Risk Budgeting framework at the total fund and asset class levels</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Presented tracking error framework for Total Fund, asset allocation, Global Equity and Global Fixed Income to ISG</li> <li>Presented proposed tracking error limits for private asset classes</li> </ul>	<ul style="list-style-type: none"> <li>Plan and conduct Board Risk Workshop for Fall 2011</li> </ul>
<i>Investment Risk – Conduct quarterly risk review with each asset class/program</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Discussed the custom risk reports with each Asset Class</li> </ul>	

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<b>OPERATING RISK</b>				
<i>Make significant progress in mitigating top 5 risks in the Investment Office Risk Heat Map: Data Integrity, Portfolio Data &amp; Analytics, Control Environment, External Manager/Partner Selection, Governance/Stakeholder Support</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>See Target Operating Model Update, agenda item 9b</li> </ul>	
<i>Develop and implement operating risk management framework</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Defined operating events and developed process for the tracking and error escalation</li> </ul>	<ul style="list-style-type: none"> <li>Operating Event Escalation process to launch on September 15, 2011</li> </ul>
<i>Develop template for evaluating operating risk for new investment ideas/strategies and integrate into ISG approval process</i>	Jun 2012	✓	<ul style="list-style-type: none"> <li>Finalized template and Operating Committee is utilizing to review operating implications of new strategies</li> </ul>	

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#### 4. Organization Systems and Controls – Janine Guillot

Tactics	Planned Completion Date	Status	Accomplishments	Upcoming Deliverables
<b>DATA, TECHNOLOGY, &amp; PROCESS</b>				
<i>Develop comprehensive Investment Office Travel Policy and Procedures</i>	Sep 2011	●	<ul style="list-style-type: none"> <li>Developed Investment Office Travel Policy and approved procedures</li> <li>Conducted travel policy staff training</li> <li>Implemented interim travel policy compliance review process</li> <li>Implemented pre-trip compliance review</li> </ul>	<ul style="list-style-type: none"> <li>Finalize travel forms</li> <li>Hire Investment Compliance Staff</li> </ul>
<i>Implement three key process/technology solutions</i>	Dec 2011	●	<ul style="list-style-type: none"> <li>Completed Master Custodian Contract and completed transition to Master Custodian's new enhanced service model</li> <li>Defined and implemented T+1 daily hard close process</li> <li>Risk Management System – on track to go live in Q4; decision made to implement with Real Estate module</li> <li>Public Markets Portfolio Management and Global Equity Investment Book of Record (IBOR) project is under analysis</li> <li>Implemented CERBT Recordkeeping by decommissioning CERBT worksheet and turning on an integrated, managed service</li> </ul>	<ul style="list-style-type: none"> <li>Complete analysis of Equity Order Management System for Portfolio Construction and Global Equity Investment Book of Record (IBOR)</li> <li>Identify solution for Global Equity IBOR</li> <li>Complete testing and go live with new Risk Management System (BarraOne)</li> <li>Integrate service level agreements into Master Custodian Contract</li> <li>Implement custodian governance model</li> </ul>

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## 2011 – 12 Investment Office Roadmap

### September 2011 Report

Tactics	Planned Completion Date	Status	Accomplishments	Upcoming Deliverables
<i>Implement recommendations from contract “workout”</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Presented recommendations to Finance Committee</li> <li>Improved certain contract processes to streamline workflows</li> <li>Completed Delegation of Authority training for senior managers</li> </ul>	
<i>Transition to an Investment Office Operating Model aligned with asset management industry and CalPERS best practices</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>See Target Operating Model Update, agenda item 9b</li> </ul>	<ul style="list-style-type: none"> <li>See Target Operating Model Update, agenda item 9b</li> </ul>
<i>Optimize fund structures and legal entities and reevaluate expense sharing methodologies across funds</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Developed and presented recommendations to CalPERS Executive Staff in August 2011</li> </ul>	<ul style="list-style-type: none"> <li>Define implementation plan for group trusts</li> <li>Transition certain Affiliate Fund assets to external management</li> </ul>

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## 2011 – 12 Investment Office Roadmap

### September 2011 Report

Tactics	Planned Completion Date	Status	Accomplishments	Upcoming Deliverables
<b>ORGANIZATION STRUCTURE &amp; CAPABILITIES</b>				
<i>Develop robust “middle-office” functions</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Formed CalPERS wide project to decommission the daily cash forecasting worksheet and turn on an integrated cash management platform</li> </ul>	<ul style="list-style-type: none"> <li>Research as is process for daily cash forecasting and identify gaps</li> <li>Issue valuation management services RFP for Real Assets Appraisal Program</li> <li>Recruit Performance Analytics manager to build staff capabilities</li> </ul>
<i>Implement comprehensive service provider management model</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Started process for four key service providers – State Street Bank, AREIS, BlackRock, and Charles River</li> </ul>	<ul style="list-style-type: none"> <li>Build service process with the four key service providers then use process as template, going forward</li> </ul>
<i>Establish fund-wide data management group, with initial focus on ensuring data integrity for the public asset classes</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Designed Operating Event Reporting process, which will help identify data errors</li> <li>Completed CIO Report by delivering a first-cut, enhanced CIO monthly performance report</li> <li>Completed Consolidation of Investment Office Board Reporting by reducing the monthly supplemental reporting document by over 80%</li> <li>Transitioned Data Integrity Group (DIG) from Fixed Income to OPTD</li> </ul>	<ul style="list-style-type: none"> <li>Initiate three new rapid results projects</li> </ul>

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## 2011 – 12 Investment Office Roadmap

### September 2011 Report

Tactics	Planned Completion Date	Status	Accomplishments	Upcoming Deliverables
<b>ACCOUNTABILITY &amp; GOVERNANCE</b>				
<i>Redefine roles of Board consultants to ensure consistency, clarity and appropriate segregation of roles</i>	Dec 2011	●	<ul style="list-style-type: none"> <li>Approved Role of Private Asset Class Board Investment Consultants Policy in August 2011</li> </ul>	<ul style="list-style-type: none"> <li>Research role of the General Pension Consultant to present information item in Q2, 2011-12</li> </ul>
<i>Establish Investment Office Compliance function and develop investment compliance monitoring program based on industry best practices</i>	Jun 2012	▼	<ul style="list-style-type: none"> <li>Began recruitment for Investment Compliance positions</li> <li>Head of Investment Compliance and Operating Risk has been hired and will start on September 30, 2011</li> </ul>	
<i>Strengthen investment policy compliance monitoring</i>	Jun 2012	■	<ul style="list-style-type: none"> <li>Began recruitment for Investment Policy Compliance position</li> <li>Head of Investment Compliance and Operating Risk has been hired and will start on September 30, 2011</li> </ul>	
<i>Begin to articulate investment valuation, pricing and data governance</i>	Jun 2012	▼	<ul style="list-style-type: none"> <li>Approved and began recruitment of positions</li> </ul>	<ul style="list-style-type: none"> <li>Issue valuation management services RFP for Real Assets Appraisal Program</li> </ul>

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## 2011 – 12 Investment Office Roadmap

### September 2011 Report

#### 5. Cost Effectiveness – Janine Guillot

Tactics	Planned Completion Date	Status	Accomplishments	Upcoming Deliverables
<i>Identify a relevant peer group and process by which to benchmark Investment Office total expenditures; work with CEM to refine benchmark data collection and to make it actionable</i>	Sep 2011	●	<ul style="list-style-type: none"> <li>Worked with CEM to identify a relevant, global peer group for the Global Leaders Survey – will assess once detailed report is provided. The Global Leaders survey provides a collaborative forum for leading funds to learn from each other and gain perspective on shared management challenges</li> <li>Note – CEM will not change our peer group for the annual CEM Benchmarking – Cost Effectiveness Analysis</li> </ul>	<ul style="list-style-type: none"> <li>Validate data</li> </ul>
<i>Establish and agree upon cost allocation methodology approach for financial reporting</i>	Dec 2011	■	<ul style="list-style-type: none"> <li>Completed Phase I of expense management project with KPMG; identified significant issues that will take more time and resources to resolved than initially expected</li> <li>Have not received approval to recruit Investment Officer position for financial management</li> </ul>	<ul style="list-style-type: none"> <li>Launch financial reporting and process reengineering projects</li> </ul>
<i>Design enhanced financial reporting materials at the asset class and total fund level</i>	Mar 2012	■	<ul style="list-style-type: none"> <li>Designed draft financial reporting materials and quarterly report format</li> <li>Completed Phase I of expense management project with KPMG; identified significant issues that will take more time and resources to resolved than initially expected</li> <li>Have not received approval to recruit Investment Officer position for financial management</li> </ul>	<ul style="list-style-type: none"> <li>Launch financial reporting and process reengineering projects</li> </ul>

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## 2011 – 12 Investment Office Roadmap

### September 2011 Report

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<i>Achieve a 2011 – 12 reduction goal</i>	Jun 2012	●		<ul style="list-style-type: none"> <li>• Reduce the cost of data feed subscriptions by \$1 million annualized</li> <li>• Refine goal after further discussions on external manager fees</li> </ul>
<i>Evaluate and select tool for financial reporting to manage and track Investment Office expenses</i>	Jun 2012	■	<ul style="list-style-type: none"> <li>• Completed Phase I of expense management project with KPMG; identified significant issues that will take more time and resources to resolved than initially expected</li> <li>• Have not received approval to recruit Investment Officer position for financial management</li> </ul>	<ul style="list-style-type: none"> <li>• Launch financial reporting and process reengineering projects</li> </ul>
<i>Educate stakeholders regarding expenses on a total fund basis; Provide integrated financial reporting to the Board across investment and administrative expenses</i>	Jun 2012	●		<ul style="list-style-type: none"> <li>• Planning to provide an expense overview to the Investment Committee in March 2012</li> </ul>
<i>Develop and present Fund Structure white paper to Executive Office and resolve long term care issues</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>• Presented fund structure to Executive Staff in August 2011 and to the IC in September 2011</li> </ul>	

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## 2011 – 12 Investment Office Roadmap September 2011 Report

### 6. Talent Management – Joe Dear

Tactics	Planned Completion Date	Status	Accomplishments	Upcoming Deliverables
<b>WORKFORCE ASSESSMENT</b>				
<i>Align and calibrate on common standards for performance evaluations, promotions, compensation, and other HR processes</i>	Sep 2011	●	<ul style="list-style-type: none"> <li>Completed year end performance evaluations and compensation calibration</li> <li>Aligned and calibrated standards/methodologies for promotions</li> </ul>	
<i>Develop tools and strategies for evaluating and developing workforce skills, competencies, and core values</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Developed workforce assessment tool to evaluate competencies, skills, and core values and began to utilize tool</li> </ul>	
<b>RECRUITMENT</b>				
<i>Clarify and articulate our unique, differing value proposition based on our new environment</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Began to define our value proposition</li> </ul>	
<i>Develop enhanced recruitment materials based upon desired skills, core values, and competencies – and our value proposition</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>Enhanced recruitment materials and recruitment process via social networking sites – e.g., Facebook, LinkedIn, Twitter</li> </ul>	
<i>Develop better tools, data, and processes to support more effective recruitment</i>	Jun 2012	■	<ul style="list-style-type: none"> <li>Not started; given the volume of open positions, an aggressive outreach strategy is needed</li> </ul>	

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## 2011 – 12 Investment Office Roadmap

### September 2011 Report

Tactics	Planned Completion Date	Status	Accomplishments	Upcoming Deliverables
<b>RETENTION</b>				
<i>Deliberately celebrate five Investment Office wins</i>	Sep 2011	●	<ul style="list-style-type: none"> <li>Developed process to recognize 5 wins</li> </ul>	
<i>Build processes for stronger communication and leadership of the Investment Office's transformation process</i>	Mar 2012	●	<ul style="list-style-type: none"> <li>Regularly communicate to the Investment Office Senior Management via Operating Committee</li> <li>Focused on culture with an increase of recognition, communication, and events – e.g., ACE Award Coffees, Investment Office Forums, Speaker Series, and held an Investment Office Picnic</li> </ul>	
<i>Develop strong, intentional retention strategies, focused on our unique value proposition</i>	Jun 2012	✕	<ul style="list-style-type: none"> <li>Not Started</li> </ul>	
<i>Develop strategies to help employees cope with Investment Office pressures and build a culture that actively promotes mutual respect</i>	Jun 2012	✕	<ul style="list-style-type: none"> <li>Not Started</li> </ul>	

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## 2011 – 12 Investment Office Roadmap

### September 2011 Report

Tactics	Planned Completion Date	Status	Accomplishments	Upcoming Deliverables
<b>SKILLS &amp; DEVELOPMENT</b>				
<i>Identify opportunities for staff development in line with our unique employee value proposition</i>	Jun 2012	✕	<ul style="list-style-type: none"> <li>• Not Started</li> </ul>	
<i>Help as many employees as possible move to higher results accomplishment and core values necessary for the overall Investment Office transformation process; significantly improve our workforce assessment score; develop a playbook and set of pragmatic strategies for leadership to facilitate this</i>	Jun 2012	✕	<ul style="list-style-type: none"> <li>• Not Started</li> </ul>	
<i>Provide meaningful new employee and leadership education and information</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>• Developed Travel Policies and Procedures to provide guidance on travel</li> <li>• Completed Travel Training for Investment Office, All Staff</li> <li>• Developed mandatory leadership education class and completed the first round of training</li> </ul>	<ul style="list-style-type: none"> <li>• Second session of training for leadership education to be launched in Q2, 2011-12</li> <li>• Investment Office Onboarding course to be developed in Q2, 2011-12</li> </ul>
<i>Conduct 360 evaluations for senior leadership</i>	Jun 2012	✕	<ul style="list-style-type: none"> <li>• Not Started</li> </ul>	
<b>INCENTIVE COMPENSATION</b>				
<i>Reevaluate incentive compensation % targets to ensure consistency across similar roles</i>	Sep 2011	✓	<ul style="list-style-type: none"> <li>• Re-evaluated incentive compensation % targets and adjusted benchmarks as needed</li> </ul>	
<i>Develop the appropriate job families and compensation structure to align competencies and reward valued skills and core values</i>	Jun 2012	●	<ul style="list-style-type: none"> <li>• Hired consultant to conduct classification study</li> <li>• Identified consultant and scope for salary survey</li> </ul>	

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